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7711 Auburn Rd. Utica, MI 48317 800.775.6339



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Licensing Administration FAQs

Q. WHAT IS AN INSURANCE APPOINTMENT?

R. When an insurance agent is licensed in a state and wants to sell products, he/she may have to have an appointment with an insurance company operating in that state. An appointment is an agreement between an insurer and a licensee authorizing the licensee to represent the insurer in the sale of its products.

WHAT HAPPENS IF AN AGENT SELLS

Q. INSURANCE WITHOUT AT ACTIVE APPOINTMENT?

R. If the Department of Insurance does a market conduct exam, and through its investigation finds that the agent is selling without an appointment, a substantial fine can be imposed on the company.

Q. WHAT IS AN APPOINTMENT RENEWAL

R. An appointment renewal continues an existing appointment. Most states and insurance companies require that an agent's appointment be renewed. The renewal may simply require filing a fee to

Standard Schedule of Services

• APPOINTMENTS

- Resident Individual Agent/Broker
- Non-Resident Individual Agent/Broker
- Resident Agency
- Non-Resident Agency

• FIRST TIME LICENSE

- Individual Agent/Broker
- Agency and One Principal
- Corporate Qualification
- Administrator

• RENEWALS

BEST AVAILABLE COPY

the state Department of Insurance or insurance company, or it may also require a signature of a corporate officer on a specialized form.

Q. HOW DOES ONE KNOW WHEN TO RENEW AN APPOINTMENT?

R. Each state has its own rules for appointment renewal. Expiration dates may be based on a legislatively mandated date (e.g. February 15 every two years), on the original date of issuance, or even the insurance company admission date.

Q. WHAT IS "ELECTRONIC FILING"?

R. Electronic filing refers to processing appointments and at least some aspect of licensing via an electronic interface. Currently, most states make use of electronic filing for at least some portion of their licensing administration tasks. The trend in licensing administration is toward automation, and currently three states – Michigan, Iowa, and Wisconsin – have converted entirely to electronic filing for appointments. This means companies must make use of the electronic format in order to appoint new agents and expand their field force.

Q. WHAT IS OFAC?

R. OFAC, or the Office of Foreign Assets Control, is a division of the U.S. Department of Treasury. OFAC administers and enforces economic and trade sanctions against targeted foreign countries and their agents, terrorism sponsoring agencies and organizations, and international narcotics traffickers.

Q. WHAT DO THE LAWS REQUIRE?

- Appointment
- Individual Agent/Broker
- Agency and One Principal
- Corporate Qualification
- Administrator
- Continuing Education Renewal
- Certifications for Renewals

• OTHER

- Name Change (other than re-filing)
- Change of Address
- Termination of Appointment
- Investigative Reports

Based on Presidential declarations of national emergency, a division of the Department of Treasury administers and enforces a sanctions policy under nine basic statutes. All U.S. insurance companies need to be aware that they may be held accountable for sanctions violations. From "Foreign Assets Control Regulations and the Insurance

- R. Under the laws administered by OFAC, financial institutions, securities firms, and insurance companies are obligated to block or "freeze" property and payment of any funds transfers or transactions and to report all blockings to OFAC within ten days of occurrence.

Q. WHAT ARE THE PENALTIES FOR NON-COMPLIANCE?

- R. Depending on the program involved, OFAC has the authority to impose corporate and personal fines of up to \$10 million and 30 years in jail, civil penalties of up to \$1 million per incident, as well as the forfeiture of funds or other property involved in the violation. Over the past several years, OFAC has had to impose millions of dollars in civil penalties involving U.S. financial institutions.

Q. HOW DOES A COMPANY KNOW WHAT/WHO TO BLOCK?

- R. OFAC's listings of Specially Designated Nationals and Blocked Persons, licensing guidelines, and Federal Register Notices are available electronically from OFAC. Whenever there is an update to any OFAC regulation, an addition or removal of an SDN, or any other announcement, the information is first posted in the Federal Register, and then posted by OFAC. However, OFAC admits that "the listing is a partial one and any U.S. nationals must take reasonable care to make certain that such foreign nationals are not specially designated."

Financial relationships covered by OFAC are extensive...

Industry"

In the Age of 9/11, the world as we have known it has changed.

So has how we do business.

More than ever before, a company must know its customers...

Any transaction involving U.S. currency is subject to laws governing embargoed countries, specially designated nationals, and blocked persons. Just some of the transactions involved can include premium payments, policy loan interest payments, and payments to beneficiaries.

More than ever before, a company must know its employees, affiliates, and agents...

Any parties involved in a contract—underwriters, brokers, and agents—must be checked against the current list of Specially Designated Nationals and Blocked Persons. If the person is a "Blocked

All employees, agents, and affiliates must be checked to see if they are "listed." Financial transactions covered by OFAC include, but are not limited to, the following:

- Deposit accounts
- Loans
- Wire transfers
- ACH transfers
- Loan payments
- Trust accounts
- Lines of credit
- Letters of credit

In addition, the names of all parties to a transaction should be checked against the names of individuals, entities, geographical locations, or countries identified by OFAC. This includes, but is not limited to, the following:

- Sending parties
- Receiving parties
- Beneficiaries
- Collateral owners
- Guarantors/Cosigners

Person," a company may not contract with him or her.

More than ever before,
ignorance is
expensive...

Criminal penalties and fines can reach \$1 million. Today, a company must check each and every transaction for potential violations, and place added scrutiny in hiring and contracting.

More than ever before,
a company needs to
have a strategy to
meet OFAC
requirements...

OFAC, or the Office of Foreign Assets Control, is a division of the U.S. Department of Treasury. OFAC administers and enforces economic and trade sanctions against targeted foreign countries and their agents, terrorism sponsoring agencies and organizations, and international narcotics traffickers. **Compliance with OFAC requirements is not just smart business ... it is the law!**

Complying with the law can be challenging...

Financial institutions are required to check all of the

Effective OFAC compliance

names in their employee database and customer database. Each new customer must be checked, and these databases must be re-checked each time OFAC adds new names to its list. The current OFAC list contains more than 5,000 individuals and organizations; OFAC made changes to its list 32 times in the course of 2002. In addition, each name typically contains multiples aliases—effectively increasing the size of the list many times over.

If a match occurs, the financial institution must take appropriate action. This can include blocking funds or rejecting the transaction. All accounts for a matched name should be frozen immediately and placed in a locked account. A company officer must be notified immediately, as well as the “listed” individual or entity. Needless to say, when a match occurs, the financial institution will want the information to be accurate.

OFAC compliance requires more than a list ...

Many companies mistakenly believe that OFAC compliance requires nothing more than keeping a copy of the SDN list on hand. This is not correct. OFAC compliance requires every financial institution to establish a compliance program. Elements can include a policies and procedures manual, a method for monitoring new and existing relationships, and some form of interdict software.

The AES, LC solution ... an effective, inexpensive response to a complex and potentially expensive compliance issue

AES, LC's specially designed software can analyze a company's database for matches with the OFAC list. The software's matching technology provides both spelling-based and phonetic-based search and find protocols that overcome the difficulties inherent in multiple variations of spellings that can occur in large lists.

By using AES, LC, a company can fully automate its efforts to screen for OFAC matches. In addition, the AES, LC software will significantly reduce the incidents of false positives (i.e., wrong matches).

requires a strategy ...

The compliance experts at AES, LC can be your strategy to meet the OFAC requirement. By providing comprehensive checks to keep a company from doing business with a “listed” organization or individual, AES, LC is the first—and best—line of defense against the expense of fines and sanctions.

Protect your bottom-line and your reputation ...

Rather than “rebuilding the wheel” with an expensive internal system, let AES, LC be your strategy for handling OFAC compliance.

Companies have been fined, and the fines can be significant...

Depending on the program involved, criminal violations of the statutes administered by OFAC can result in corporate and personal fines of up to \$1 million and 12 years in jail. OFAC also has the authority to impose civil penalties. In the case of Iraq sanctions, civil penalties of up to \$275,000 per count are authorized.

Although OFAC does not require use of software in an institution's compliance efforts, the size of the data involved make it impractical to do otherwise. Furthermore, use of specialized software is looked at favorably by compliance officers conducting audits, and provides an effective mitigating factor when assessing penalties should a violation occur.

American Education Systems">

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